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UNCLAS SECTION 01 OF 08 ABU DHABI 005168

SIPDIS

DEPT FOR ISN/ECC - B.PIKOULAS, J.COLLINS, K.CROUCH, P.VAN SON
DOC FOR D. CREED
US COAST GUARD FOR USCG ACTIVITIES/MIO EUROPE M. BEE
US CUSTOMS FOR P. WARKER, W. LAWRENCE
USDOE/NNSA FOR T. PERRY, W. KILMARTIN

E.O. 12958: N/A

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SUBJECT: EXBS ADVISOR VISIT TO UNITED ARAB EMIRATES OCTOBER 2005

1I. SUMMARY. During the period October 9-23, 2005, EXBS Advisor met with Emirati officials, principal Embassy and Consulate staff and representatives of the Center for International Trade and Security, University of Georgia, to discuss the current state of Export Controls and Related Border Security in the United Arab Emirates (UAE). Advisor met with senior representatives of the Ministry of Foreign affairs, Federal Customs Authority, Dubai Customs, Dubai Ports Authority, Ports Customs and Free Zone Corporation, Jebel Ali Free Zone Authority, Sharjah Airport International Free Zone, Federal Express International Inc., and Gulf Pharmaceutical Industries. The Emirate of Dubai is a participant in the U.S. Container Security Initiative (CSI) Program. The implementing Emirati agency for CSI is Dubai Customs. Emirati officials are anxious to receive EXBS assistance in training. There are close trading relations between the UAE and Iran and Iran is the UAE's largest re-export

market. END SUMMARY.

II. MEETINGS SUMMARIES.

¶1. Several times during the period October 9-23, EXBS Advisor met with principal US Embassy and Consulate staff to discuss the state of EXBS in UAE. Salient points of subsequent conversation were as follows:

¶A. UAE has unique challenges with implementation of EXBS principles due to the structure of the federal government system, which preserves the independence of the Emirate-level governments in many issues, including customs.

¶B. Additional EXBS training events can be used by the Emirati officials as defacto 'proof' they are moving forward in implementation of EXBS, thus deflecting attention from the primary need to move forward in establishing an effective export control system based on new or revised law.

¶C. All sectors of the Emirati society, including police, armed forces, etc., reflect the general demographics of the UAE, i.e., third country nationals outnumber the Emirati people. Many of these foreign workers and laborers are citizens of Pakistan and India and the number of Iranian nationals is estimated to be 300,000. Omani officials may not be concerned about stopping this illegal flow of immigrants since they are transiting Oman for UAE. The population doubled in the last six years. Projections forecast the population will double again in the next five years.

¶D. UAE leadership in general is supportive of EXBS, especially programs such as the CSI and MEGAPORTS initiatives, which Emirati officials see as trade facilitators.

¶E. A telling comment made by several Emirati officials to principal members of U.S. staff was the oft-repeated question, "Do Hong Kong and Singapore have EXBS programs?" In order to increase Emirati support to EXBS, we need to couch the concept of "facilitating secure trade" in terms of what officials are doing in Hong Kong and Singapore.

¶F. Diversion of strategic goods is fostered by the desire of individuals to do business. Diversion does not appear to be sanctioned by any of the governments in UAE; however, they may enable diversion by absence of an export control system similar to those used by the U.S. and the EU or even Hong Kong and Singapore.

ADVISOR NOTE: Commercial ties with Iran are so pervasive and deep-rooted; it is the opinion of the Advisor this relationship will not change in the near future. The best one can hope for is the establishment and effective administration of a viable export control system that prevents the illicit transfer of controlled dual-use items and related technology. Deterrence will occur only following consistent and meaningful enforcement and implementation of appropriate monitoring and detection elements consistent with an effective EXBS system. If such a system is to be effective, it must, as was noted by principal staff, be supported by all the Emirates after enactment by the federal government. Advisor realizes this is no small task and may be the greatest individual challenge facing the UAE with respect to EXBS.

¶2. On October 11, EXBS Advisor accompanied Mary O'Brien, Export Control Officer, U.S. Embassy, Abu Dhabi while she conducted pre and post shipment licensing checks in Dubai, UAE. This activity allowed the EXBS Advisor to gain a first-hand appreciation for the extensive commercial ties between the UAE and its gulf and regional neighbors, especially Iran, Pakistan and India. Nearly all sectors of the Dubai and UAE economy are linked to these neighbor states. Trade is extensive and uses both air and marine routes for movement of goods and persons. Iranian companies located in Dubai are numerous and involved in shipping, export and import of diverse goods and commodities, and banking. These commercial connections between UAE and Iran in particular have long historical roots and are not likely to change in the near

future. There are few export controls to regulate the movement of the majority of goods transiting the gulf between UAE and Iran.

¶3. During the period October 12-19, 2005, when EXBS Advisor met with Emirati and U.S. officials, analysts from the Center for International Trade and Security, University of Georgia (CITS) accompanied Advisor. These CITS analysts visited UAE to conduct an official in-country review of the UAE export controls system. CITS will provide this report to State Department under separate cover before spring 2006.

¶4. On October 15, EXBS Advisor met with Yacub Yoysif Alhosani, Director of Organizations and International Conferences Department, Ministry of Foreign Affairs, United Arab Emirates. Salient points of subsequent conversation were as follows:

¶A. In general, the historical focus of UAE customs organizations has been one of revenue collection rather than export or import controls.

¶B. General awareness among customs inspectors concerning dual-use and related technology is lacking.

¶C. (Companies dealing in dual-use items have files on their transactions maintained by relevant UAE or Emirate government Ministries, Agencies or Departments. These files identify the 'End-User.' Federal Customs, as appropriate, shares investigative and/or historical information with appropriate security and law enforcement elements.

¶D. No specific export control law exists at present. Criminal law addresses "dangerous items." The 2004 Anti-Terrorism law has a section that deals with the transfer of WMD and Components for use by terrorist organizations.

¶E. An inter-ministerial committee (including representatives from the Ministry of Foreign Affairs, Ministry of Interior, Customs, Police and others) has completed an initial review of the concept of export controls. This committee meets irregularly, but has drafted an export control law. This draft law is currently under review by senior decision makers before being forwarded to the cabinet. (Note: during the week prior to Advisor's visit, Ministry of Interior asked cabinet to make passage of this law a priority.)

¶F. UAE anticipates use of established control regimes lists to identify controlled items and technology.

¶G. The CWC acceptance law is in legislative committee. UAE anticipates implementing the regime list and says that it plans to adhere to MTRC, Wassenaar and NPT.

¶H. UAE says it supports the Proliferation Security Initiative (PSI) in concept but has yet to declare publicly or privately its agreement to the principles of PSI. The UAE is open to the idea of participating in a regional conference on PSI and Nonproliferation, so long as sufficient lead-time exists before such an event to ensure attendance of the right individuals.

¶5. On October 16, EXBS Advisor toured the ports of Jebel Ali and Rashid located in Dubai, UAE and met with the following officials of Jebel Ali Free Zone Authority (JAFZA) Dubai Ports Authority (DPA) and Ports, Customs & Free Zone Corporation (PCFC): Ibrahim M. Al Janahi, Vice President-Commercial Sales, JAFZA; Abdalla Al Banna, Senior Manager-Marketing, JAFZA and Shehab Al-Rahma, Commercial-Sales, DPA and Feras Dahlan, Business Relations Officer, Public Relations, Promotions & Exhibitions Department, PCFZC. The Ports, Customs and Free Zone Corporation is the parent organization of the Dubai Port Authority and the Jebel Ali Free Zone Authority, as well as Dubai Customs. Salient points of subsequent conversation and observations were as follows:

¶A. CSI is at the port of Jebel Ali and MEGAPORTS is in the process of implementation. Officials support both these initiatives because the officials view them as trade facilitating programs.

1B. The port of Jebel Ali is self-funding, has 65 operative berths and nearly 15km of frontage. At present, 125 major shipping lines call at Jebel Ali. By 2007, Jebel Ali port will have a "paperless clearance system" including Customs clearance, payment of fees and freight forwarding documentation. By 2020, the port expects to have expanded to over 120 gantry container cranes and well over an hundred berths and additional deep-water anchorage.

1C. JAFZA, located adjacent to the port of Jebel Ali, hosts over 5,000 companies including many global conglomerates such as Sony, which has located its second largest distribution hub after Japan in JAFZA.

1D. JAFZA serves the greater GCC, Iran, the Indian subcontinent and east Africa. Recently, over 600 companies opened in JAFZA focused on providing goods and services to Iraq. (NOTE: JAFZA does not allow movement of scrap metal from Iraq into its port facilities.) JAFZA has access to two billion customers and potential consumers mostly in the aforementioned states and regions. In regards to shipments through JAFZA, 60+% are transshipments, 20+% are imports and the remainders are exports.

1E. The Dubai Port Authority is an investor or manager of 18 other major ports including ports in Djibouti, Morocco and Malaysia. DPA also manages numerous free zones in India, Australia and South America. DPA also manages two terminals in Hong Kong.

1F. Dubai Police is the primary law enforcement organization serving JAFZA. It has a local station at the free zone and handles smuggling cases. Dubai Customs handles customs-related issues. Federal Customs does not have a presence in the zone.

1G. JAFZA issues three types of business licenses: Trading, Manufacturing and Service.

16. On October 16, EXBS Advisor met with the following officials of the Federal Customs Authority (FCA), UAE: Mohamed K. Al Mehairi, Director General and Ahmed Mohamed Al Bakr, Director of Legal Affairs Department. Salient points of subsequent conversation were as follows:

1A. FCA has no existing rules or standards for risk management, but has the ability to review shipments and tasks the various Customs authorities to conduct searches of specific shipments/cargo when and if needed.

1B. FCA would like to establish an academy or regional center for customs training. This training would establish common standards and procedures for the UAE and the region.

1C. A draft for a comprehensive export control law exists and is under review by senior decision makers.

1D. In 1971, when the UAE was formed, the Emirati constitution allowed the emirates to retain their own customs authorities. The constitution, however, includes a reference to move to "Customs unity" at a future date, thus providing a constitutional basis for the establishment of the Federal Customs Authority in 2003. FCA would like to accelerate this process of customs unity, but there is resistance at the Emirate level. Since 1981, the UAE has had a Customs Council composed of the Head of Customs of each of the seven Emirates. The Committee has elected one among the seven to serve as the head of federal customs.

1E. FCA views its current and future role as one of supervising emirate-level customs authorities, setting rules and regulating customs procedures throughout the UAE.

1F. While admitting their view is probably not shared by the free zone authorities throughout the UAE, FCA is of the opinion that the only legal exemption inside the free zones is that which protects foreign ownership from taxation; all other UAE laws regarding labor, customs, etc., apply to both companies and individuals. (Note: the UAE Federal Customs Authority imposed a tax on scrap metal dealers in Jebel Ali Free Zone. According to

press reports, the initial response from JAFZA was to direct the dealers to the FCA. After several days, the Federal Customs Authority withdrew its demand for the free zone companies to pay an export tax. End Note)

¶G. FCA is working on a national control list and would like to see a common GCC control list.

¶7. On October 17, EXBS Advisor met with Rashid Sultan Hamad Al Roud, Director of Customs and Border Protection Service (CBPS), Dubai Customs, UAE. Salient points of subsequent conversation were as follows:

¶A. CBPS estimates 90-95% of all goods entering the ports of Jebel Ali and Rashid originate outside the UAE. Of these goods, 80-85% transit UAE via land routes or maritime transshipments. In 2004, Dubai handled/shipped 6.2 million containers.

¶B. CBPS customs processing system is completely automated.

¶C. In 2004, CBPS established Risk management practices, including automated review protocols. Inspectors have received training in interview and non-verbal assessment skills. Inspectors still screen closely historical areas and actors of interest. CBPS maintains its own version of a 'watch list' and routinely coordinates with Interpol and WCO on matters of mutual interest.

¶D. Consistent with regional practices, CBPS gives special attention to shipments involving weapons, explosives, hazardous materials and other items identified on special control lists developed by governmental entities such as the Ministries of Agriculture and Interior.

¶E. In accordance with its specific laws and regulations, CBPS has the authority to open "civil" customs cases, levy fines, seize property and make arrests. When a customs case crosses over into criminal jurisdiction, CBPS coordinates with Dubai Police to determine which organization will take the investigative lead.

¶F. CBPS prevents potential corruption by providing an excellent salary and benefit package to employees, many of which are third country nationals who would risk jail and deportation if convicted of wrongdoing. Customs employees attend an academy course lasting six months, three of which are at the Dubai Police Academy. This basic training is followed by site and location specific training, interview and screening skills, and use of field tools and equipment, e.g., hand-held chemical and radiological sensors and various optical inspection scopes.

¶G. Illegal immigration via maritime routes is the jurisdiction of the Coast Guard.

¶H. CBPS has expertise and experience dealing with medical, dental and oil industry radiological sources.

¶I. In addition to uniform customs officers, CBPS has a K-9 unit and individuals embedded in select organizations and areas of port and JAFZA operations.

¶J. CBPS reports trends and operational statistics to the Federal Customs Authority.

¶8. On October 17, EXBS Advisor met with members of the Container Security Initiative (CSI) team located in Dubai, UAE. CSI enjoys an excellent working relationship with Dubai Customs. Dubai uses a NUCTEC X-Ray scanning system produced by China. Members of the CSI team claimed this system was better than other models they have used. One major feature enhancement was software that allows the operator to shift and alter the color spectrums with greater variety than other versions of similar equipment and this made it easier for the operator to conduct better and quicker analysis of cargo. The Chinese trained the X-Ray equipment operators and CSI team members evaluated this training as excellent. CSI maintains local trend analysis and profiling data.

¶9. On October 17, EXBS Advisor visited the Dubai Creek Dhow

Harbor located in Dubai, UAE. Salient points and observations of this visit were as follows:

¶A. Dhow traffic is pervasive, involves a great variety of consumer goods and does not appear to be regulated or controlled by any governmental agency. Access to the wharf is completely open.

¶B. Controls on persons and cargo appear non-existent.

¶10. On October 18, EXBS Advisor toured the Dubai Hub, Federal Express International Inc. (FEDEX), Dubai, UAE and met with the following officials of FEDEX: Tayssir Hassan Awada, Managing Director-Operations & Customer Service, Middle East, Indian Subcontinent, Africa, Central Asia & Turkey; Vivek Ashoka, Manager-Hub & Ramp Operations, Dubai Hub; Ahmed M. Abu Hamraa, Airport Coordinator & Government Liaison Representative Hub & Ramp Operations, Dubai Hub; Peter DeBenedictis, Manager, Dubai Operations and Ray Cole, Manager-International Security, Europe, Middle East & Africa. Salient points of subsequent conversation and observations were as follows:

¶A. Dubai Customs has authority on all goods entering Dubai. Dubai Police have authority over all goods transiting the hub. Dubai Police scan goods to identify flight safety hazards. During these scans, police do not have in their possession customs paperwork on parcels and packages and therefore cannot screen packages to determine if stated content matches actual content image. Police are not trained to recognize 'dual-use' items and would not likely discern a problem of this nature so long as the parcel contents did not overtly appear to be a threat to the safety of FEDEX aircraft.

¶B. FEDEX does not "service, support or facilitate" trade with Iran or any parties or entities identified as having connections to Iran.

¶11. On October 18, EXBS Advisor visited Port Khalid, the Sharjah Airport International Free Zone (SAIF-Zone) located in Sharjah, UAE and met with Saqer R.H. Al Qassemi, Deputy Director General, SAIF-Zone. Salient points of subsequent conversation and observations were as follows:

¶A. Customs has jurisdiction over movements of goods in and out of SAIF-Zone. All goods entering the zone are logged with Customs. If they are transferred to another company in the zone, the transaction is recorded and maintained by SAIF-ZONE and Customs. All goods moving in and out of the zone are checked against this general transaction ledger.

¶B. Some ministerial oversight of select business activities and products does occur within the zone, i.e., Ministry of Health regulates some pharmaceuticals.

¶C. SAIF-Zone's port is the largest bulk cargo hub in the region and the airport is the largest for movement of air cargo. Status of the airport is due in large measure to the fact Lufthansa's largest cargo hub outside of Frankfurt is located in Sharjah.

¶D. SAIF-Zone grants a trade license to all "investors" resident in the zone and monitors compliance with SAIF-Zone regulations and laws of Sharjah and the UAE. Any infraction of the laws is referred to Sharjah Police and or the Ministry of Interior. In the last five years, two or three companies have closed due to criminal activity or infraction.

¶E. Main sectors in the zone are bulk textiles for end-use consumers and aviation supply and maintenance.

¶F. SAIF-Zone issues three types of business licenses: Industrial, Trading and Service. The Sharjah government has asked SAIF-Zone to suspend licenses when conditions warranted such action. SAIF-Zone has also suspended licenses unilaterally when investors failed to pay fees or to abide by regulations by-laws of the zone.

¶G. SAIF-Zone has 2,000 companies and annual growth of 30-35%. India has more companies in the zone than any other country.

¶H. In contrast to laborers employed outside of free zones, laborers in the SAIF-Zone are sponsored by the zone, not the company for which they work. Ministry of Interior runs a "security check" on each potential employee before hire.

¶I. Saudi Arabia is the largest regional trade partner for Sharjah.

¶12. On October 19, EXBS Advisor visited the plant facilities of Gulf Pharmaceutical Industries (GPI) located in Ras Al Khaimah, UAE and met with Said Ibrahim, PhD, Manufacturing Director, GPI and Syed Imtiaz Haider, PhD, Quality Affairs Director, GPI. Salient points of subsequent conversation were as follows:

¶A. GPI has four plants in UAE and one in Germany. In December 2004, USFDA certified GPI manufacturing processes. GPI ships 95% of its product outside the UAE, most of which goes to GCC neighbors and North Africa. Plant employees are from 18 different countries. The majority of these employees are citizens of Pakistan, India or Syria.

¶B. When GPI ships product, it obtains four documents from the Chamber of Commerce of Ras Al Khaimah: Certificate of Analysis, Certificate of Origin, Airway bill and Invoice. Typical routing and means of product shipment include marine or land conveyance to Jordan, by air to GCC neighbors and marine conveyance to Yemen.

¶C. Psychotropic drugs require additional controls and UAE clearance when shipped. The Ministry of Health audits these transactions monthly.

¶D. GPI does import some chemical precursors for their manufacturing. These chemicals originate from Europe. The Ministry of Interior audits these transactions and visits the plant monthly. Ministry representative provide updates to controlled items lists.

¶E. The Ministry of Health certifies plant operations by conducting unannounced site inspections. GPI complies with 'best practices' and pharmaceutical standards established by the European pharmaceutical industry. GPI also complies with World Health Organizations communiqués.

¶F. GPI is associated with The International Center for Genetic Engineering & Biotechnology located in Trieste, Italy. This relationship began in the context of GPI's production of synthetic hormones to stimulate formulation of human red blood cells. GPI imported equipment for this production line from Amersham Pharmacia (General Electric HealthCare) located in Austria and Taylor Warton located in the United States. (NOTE: GPI claimed older equipment such as dryers, etc., were stored on the premises and accounted for in annual audits or sold to government-approved end users. Some specialized equipment such as incubators was subject to non-movement and no re-sale agreements.)

¶13. During the period October 20-23, EXBS Advisor waited for authorization from UAE officials to visit land border crossings between the UAE and Saudi Arabia. UAE officials did not grant permission for this visit despite repeated requests from the U.S. Embassy.

¶14. On October 22, EXBS Advisor in company with a Senior U.S. Immigration & Customs Enforcement Representative toured the Dubai Creek-Dhow Harbor located in Dubai, UAE. Salient points of subsequent conversation and observations were as follows:

¶A. Dhow traffic is supposed to stop at the entrance to the creek harbor to declare and clear goods with customs. This does not appear to occur. Even if Dhows did stop to declare goods, the design of the vessel does not allow inspection of cargo at point of entry. No customs officials appeared engaged on the wharf in verifying cargo against manifests.

¶B. The variety of cargo and product containers, i.e., boxes, crates, 50-gallon drums, plastic bottles and barrels, etc.

provide many different ways to smuggle dual-use items in or out of the port. Post notes however that in the last three years no known diversion of US origin goods (of which there have been many) has occurred via dhow, due in no small part to the lack of export controls and the excellent transportation available to a variety of countries of concern.

¶C. Dhow traffic routinely shuttles between Dubai and Iran as well as other ports in India and through the greater Gulf region.

ADVISOR NOTE: Diversion of WMD components and production capabilities via Dubai has occurred with some frequency. Authorities have focused greater attention on the ports of Jebel Ali and Rashid and the international airport; however, little attention appears to have been given to the Dhow harbor and its connections to Iran. The Dhow harbor will be extremely attractive as an operational venue for individuals trained in classic incursion, infiltration or diversion operations, particularly if an export control system were established in the UAE to scrutinize cargo traveling on more traditional modes of transportation. The setting and environment facilitates passage of materiel and illegals both ways.

III. ADDITIONAL INFORMATION CONCERNING UAE.

For additional information concerning UAE and the current state of its export controls and related border security system, see ABU DHABI 3346.

IV. RECOMMENDATIONS FOR EXBS VISIT 2006.

Following meetings, tours and extensive discussions with Emirati and U.S officials, Advisor recommends the following actions during Advisor's first visit to UAE in 2006:

¶1. Visit and observe land border crossings between UAE and Saudi Arabia.

¶2. Visit bunkering port facility of Fujairah.

¶3. Meet representatives of the Coast Guards of Abu Dhabi, Dubai, Sharjah and Fujairah.

¶4. Visit 'traditional' smuggling ports along the UAE coast.

¶5. Visit the ports and northern coast of the Musandam Peninsula. (NOTE: Advisor can do this during either the visit to Oman or UAE.)

¶V. Any questions or comments can be directed to Joseph C. Irvine, EXBS Advisor to Jordan & the Middle East, Telephone:(962 6) 590-6550/6558, Fax: (962 6) 592-7653, Email: IrvineJC@state.gov.